--- CANADA TWIST - 1880-1881 ---

Chris Ryan, the 'Canadian Revenue Newsletter', No. 40, December 2002

"Under the 1880 Statute, licensed tobacco farmers had the option of manufacturing *Canada Twist* at the same very low rate of excise duty allowed since 1864 to regular tobacco manufacturers. *Canada Twist* was defined in the Act as '***unpressed leaf rolled and twisted***' manufactured exclusively from Canadian leaf. The granting of this privilege to licensed farmers required a separate class of revenue stamps, which was also produced in several division-specific series. The first of these stamps inscribed **CANADA TWIST ONLY** was the non-denominated stamp ordered by the Revenue Department on September 6th 1880, and pressed into service as an interim measure pending the preparation of proper, denominated values. The requisition for the stamp directed BABN to use the '***French or English plates whichever takes least time***'. This indicates that at the very least a design had already been prepared for one of the anticipated denominations. Examination of the non-denominated stamp shows that it was prepared from the master for a 2-pound stamp. Immediately after the '**lb.**' there is a remnant of a deleted '**s**' under the vertical fill-lines. This '**s**' would have been present only on the 2-pound stamp. ...

The intent of the reduced rates for products of Canadian leaf in the 1880 Statute had been to encourage their manufacture. The failure of this policy was acknowledged by the Government in May of 1882, when the duty on products made of Canadian leaf was reduced from fourteen to eight cents per pound, the rate that had been advocated in 1880 by the Revenue Department. However, while farmers continued to benefit under the 1882 amendment from a four-cent duty on their Canada Twist, regular manufacturers did not, and were required once again to pay the same, higher, eight-cent duty on their own Canada Twist, as they did on their other products made exclusively from Canadian leaf. In addition, the government removed all restrictions on farmers with regard to the growth and sale of their leaf. They no longer required a license and could now sell their crop to anyone. Previously, farmers had been required to sell their leaf only to licensed dealers or manufacturers. The Inland Revenue Report for the fiscal year, ending June 30th 1882, noted that the removal of the restrictions on tobacco farmers had severely penalized licensed manufacturers and '*honest*' farmers by creating an underground market in cut tobacco on which the excise duty had not been paid.

Officials in the Revenue Department were irritated by this turn of events. On the advice of the Justice Department, they invoked a section of the 1880 Act to obtain an Order in Council on September 27th 1882 that placed restrictions on the sale of Canadian leaf to persons other than licensed dealers and manufacturers. Under that Order, sales by farmers to unlicensed purchasers were restricted to thirty pounds per annum for each male adult member of the purchasers' family, for their personal use only, and not for resale to others. In addition, the Order restricted the use of commercial tobacco-cutting machines to licensed manufacturers, and to retailers to whom a special permit had been issued for the cutting of pressed tobaccos sold by them.

The reduced eight-cent duty, combined with the efforts of the Revenue Department to suppress illegal trade in cut tobacco appears to have had the desired effect. During the fiscal year, ending June 30th 1883, there was approximately 17.5 times as much 'Canada Leaf Only' production as there had been during the previous fiscal year. However, this improvement seems to have been less than ideal. As a result, the Inland Revenue Act of 1883 further reduced this duty to two cents per pound, and set the same rate for the farmers' Canada Twist. This put all *manufactured* products of Canadian leaf on a par with farmers' Canada Twist, and granted these goods an 83% discount over the new 1883 twelve-cent rate charged on products of foreign leaf.

An 1882 addition to the stamps for products of exclusively Canadian leaf was a green lithographed version of the Montreal Division Caddy stamp. Significantly, this green Caddy stamp is a *warehouse stamp* that would have been affixed to stored packages on which the duty was payable upon removal from the bonding warehouse for consumption. The existing green strip-stamps are *consumption stamps* that were affixed to packages released for consumption directly from the factory and on which the excise duty was paid semi-monthly.

This situation is explained by the Inland Revenue Reports for the three fiscal years ending June 30th 1881, 1882 and 1883. These reports show that in the first two years tobacco manufactured from Canadian leaf exclusively was produced only in the Montreal and Three Rivers Divisions. All of this tobacco paid duty directly from the factory, none was warehoused, and thus all of it would have been affixed with green consumption strip-stamps. In the third year (1882-83) tobacco manufactured from Canadian leaf exclusively was produced in the Joliette, Montreal / St. Hyacinthe, and Three Rivers Divisions. Unlike the previous years, some green-stamped tobacco was warehoused, and only in the Montreal Division. This data corresponds to the known green manufactured tobacco stamps from this period."

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